

# **Interactive Services : The Road from Here**

**Presented by:  
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America Online Services Co.**

# Conventional Wisdom

- Internet will drive commercial services out of business
- Content is and will remain King
- Consumers are flocking to the Internet
- Advertisers will follow consumers
- Consumers will pay for ala carte services
- Commercial services don't "get it" and are closed and proprietary
- Everyone will make money on the Web
- Presumption of victory to Microsoft and Netscape

# TIME MARCHES ON...

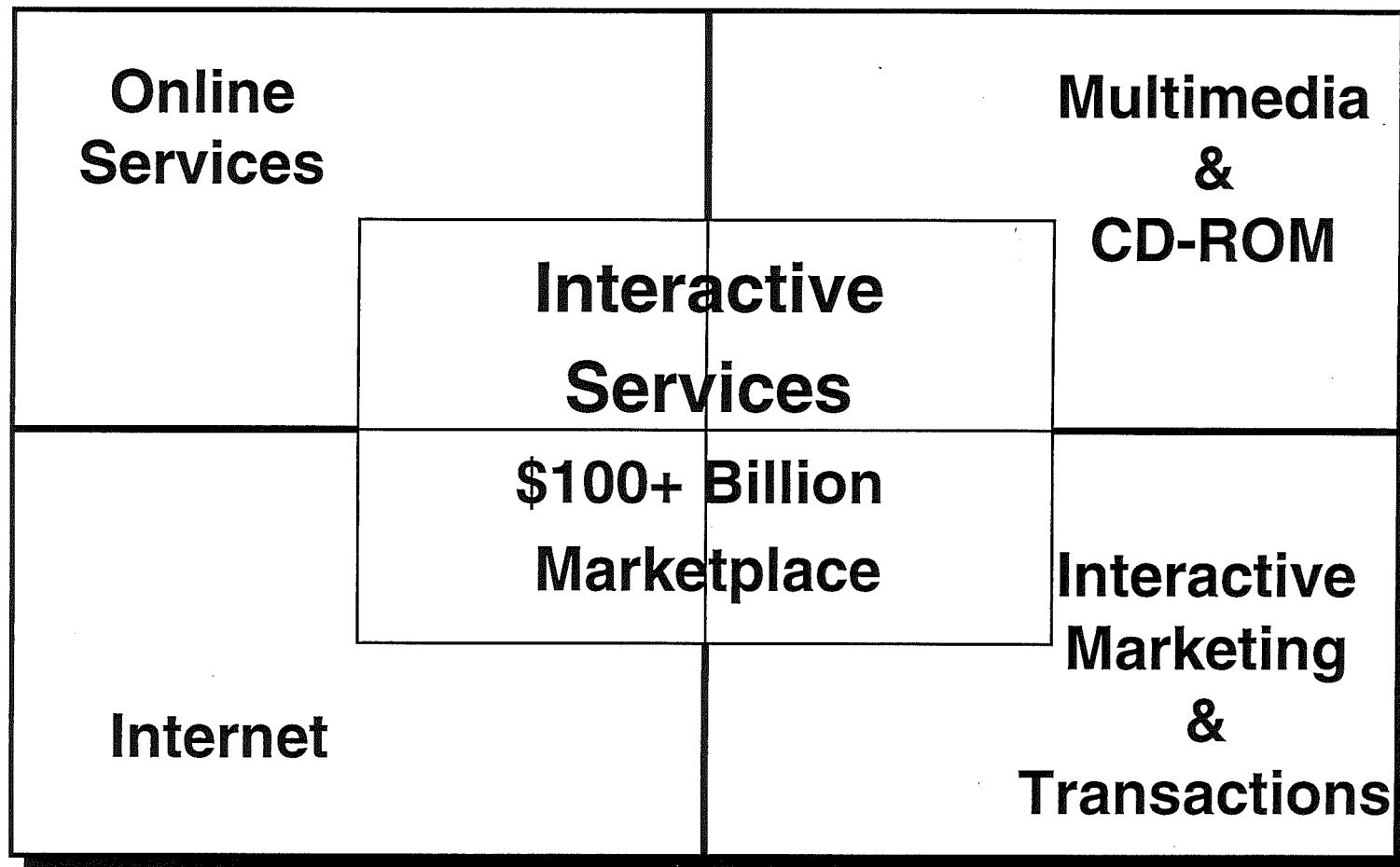
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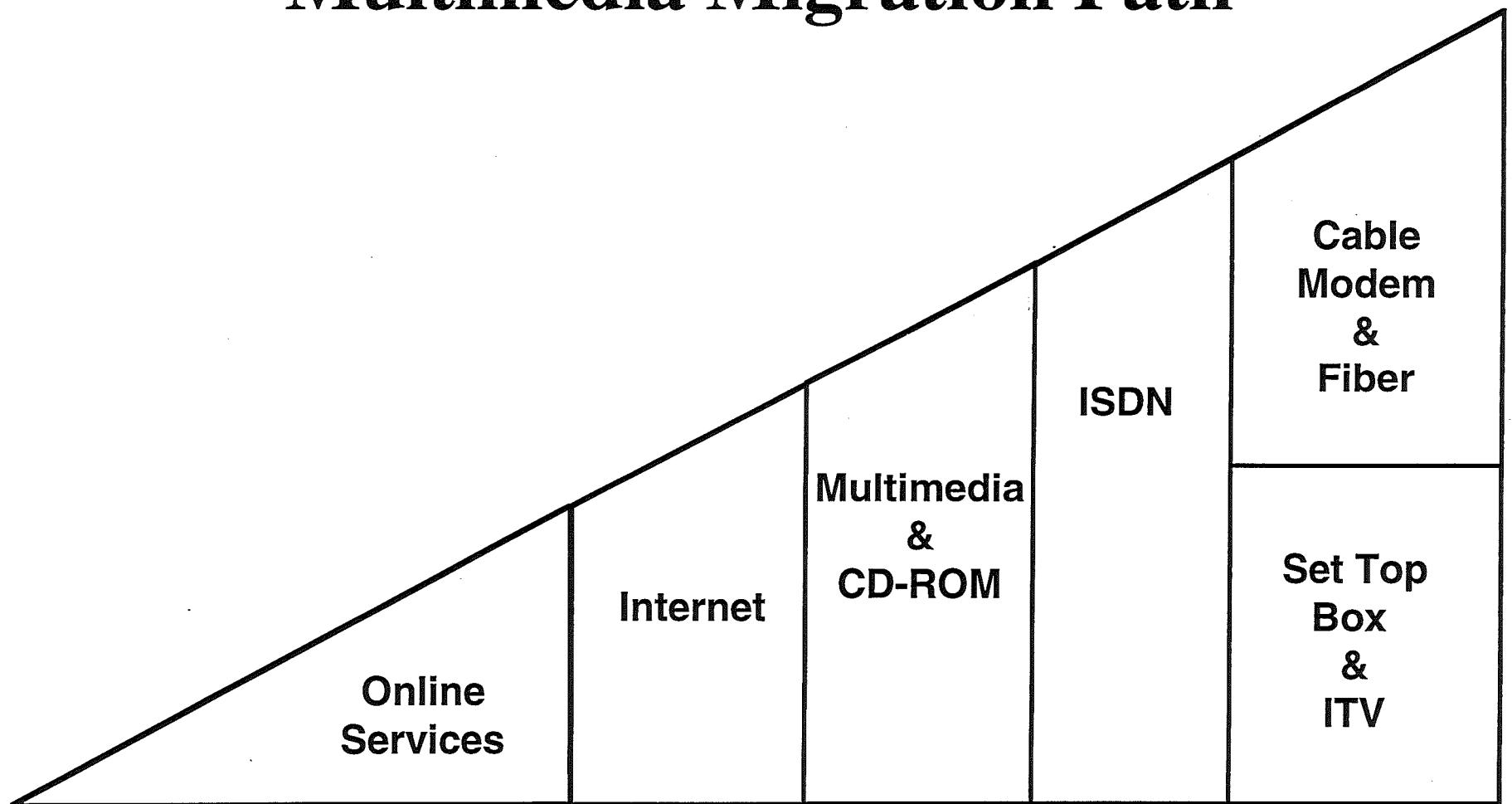
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- 100 years ago → Telephone (personalized communications)
- 50 years ago → TV (mass media)
- 25 years ago → Special interests (cable & magazines)
- Now → Personalized, interactive, participatory

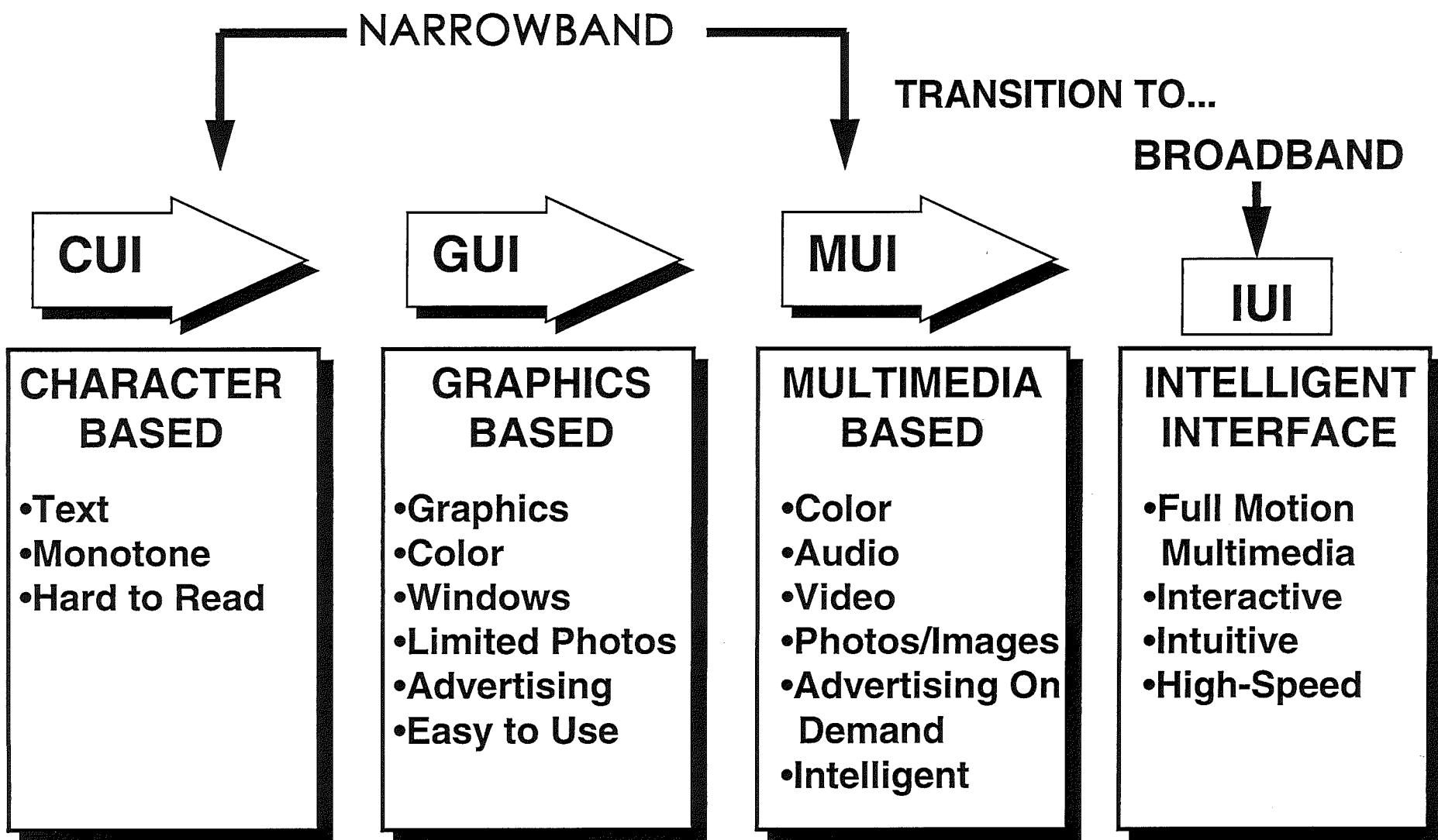
# The Opportunity



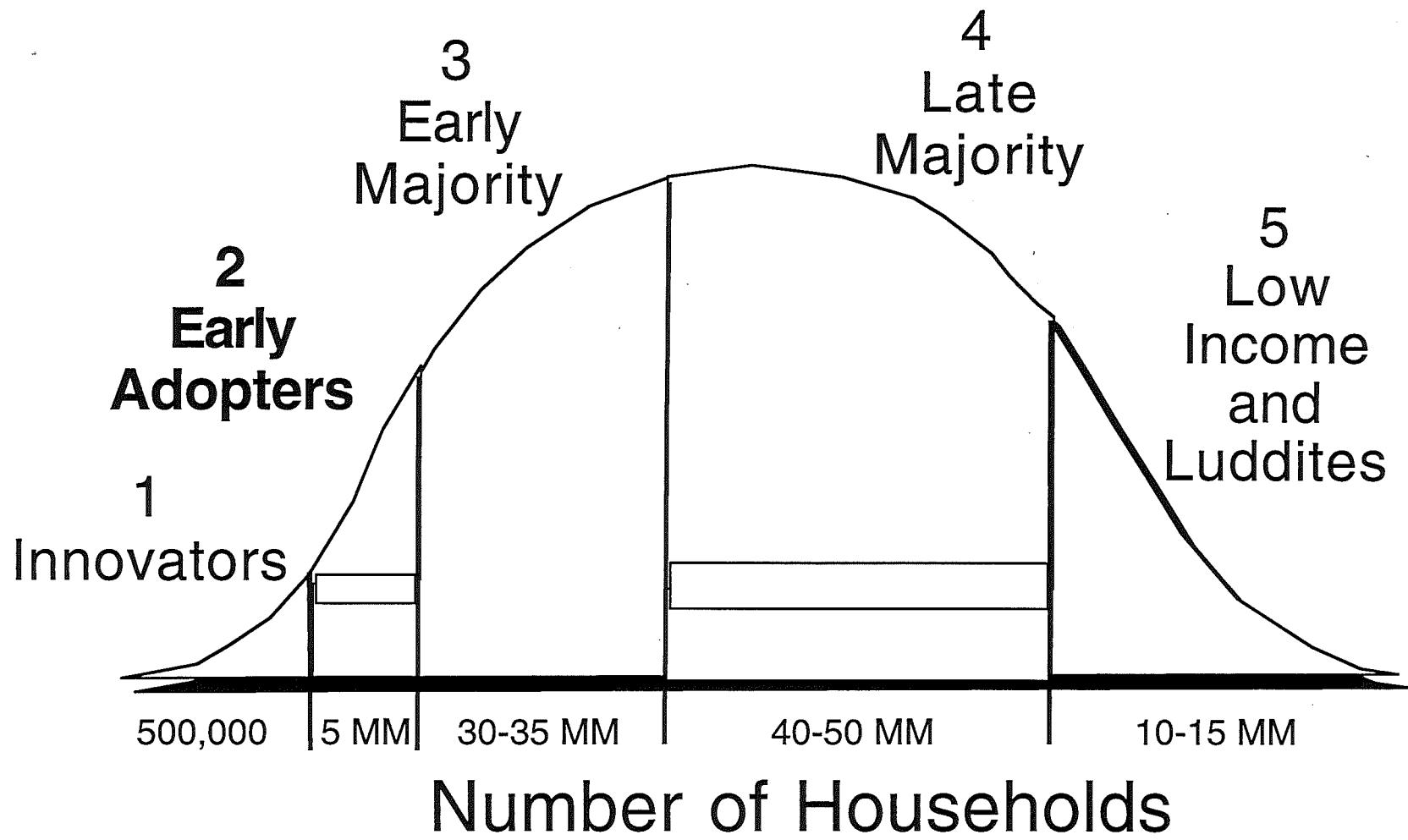
# Multimedia Migration Path



# Evolution of the User Experience

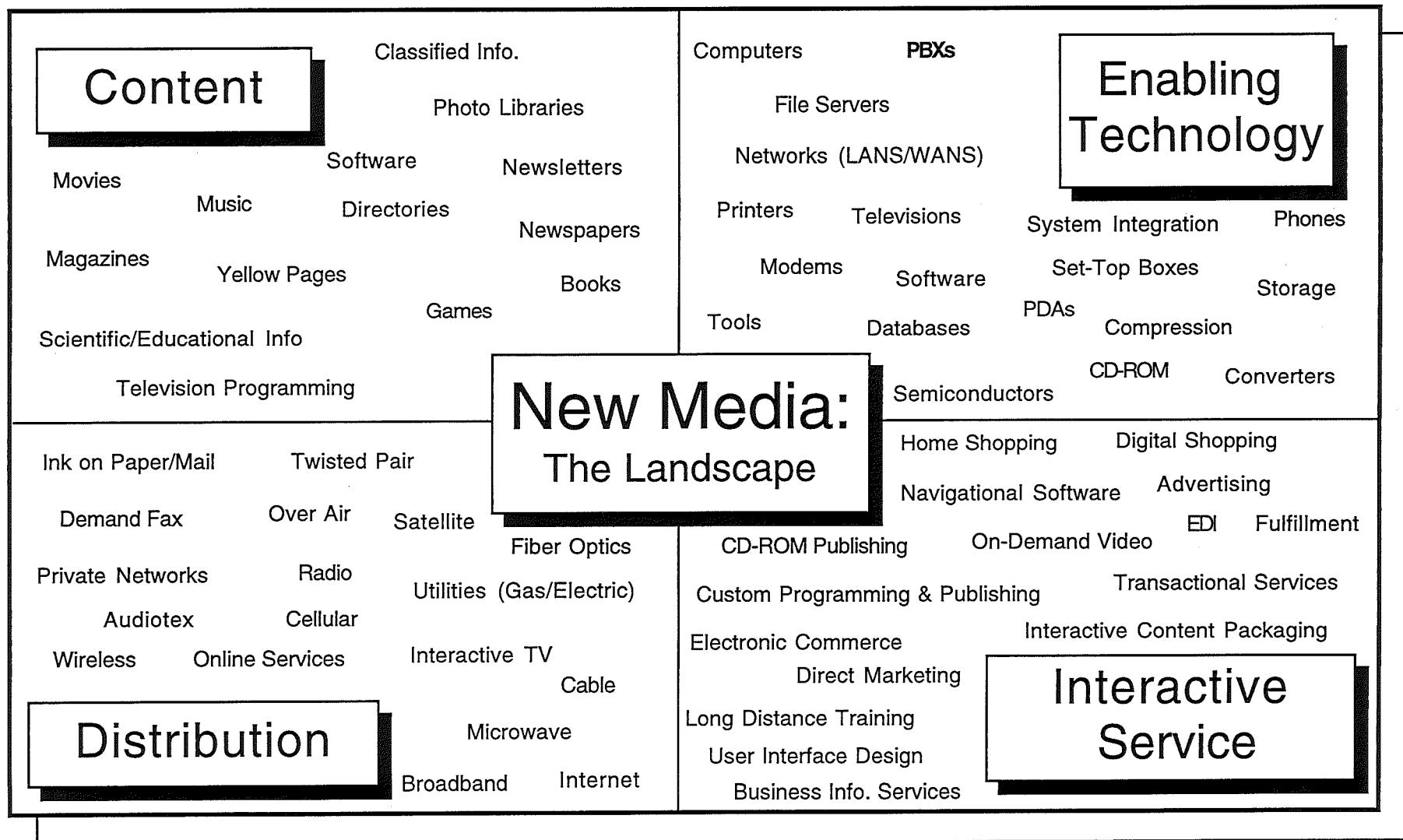


# Five Stages of the Consumer Market



Source: Decision Resources

# New Media: The Landscape



# New Media Channels

- Content that is programmed - no aggregation
- Community (email, events, chat message boards)
- Commerce (interactive marketing /transactions)
- Context (personalization / navigation)
- Companion CD-Rom's and Web sites

# Factoids

- Online Services market in 1994: \$800 million
- \$2 billion by 1997
- PC's in a third of all US homes
- 50% of PC's now have modems
- 30% of PC's outfitted with CD-ROM
- More PC's shipping into homes than television

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An update

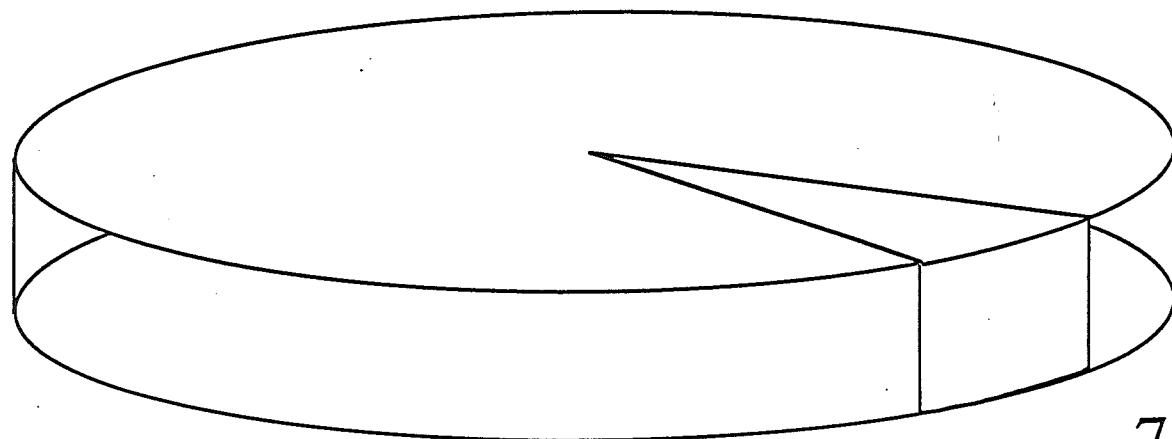
- From less than 1 million members to more than 3.5 million members
- Q4 revenues will be more than three times those of prior year
- From \$100 million revenues, to more than \$370 million
- Approaching \$1 billion in revenues in fiscal 1996
- From 350 employees to more than 2,500

# WHO IS USING ONLINE SERVICES?

Men 79%	Women 21%	
	AOL	USA
Married	63%	72%
Income:		
\$50-100,000	56%	25%
Under \$25,000	8%	41%
Age:		
18-34	37%	41%
35-44	34%	22%
Home ownership	71%	64%
Degree(s)	65%	20%

# FOCUS IS ON 93% OF HH'S NOT USING ONLINE SERVICES

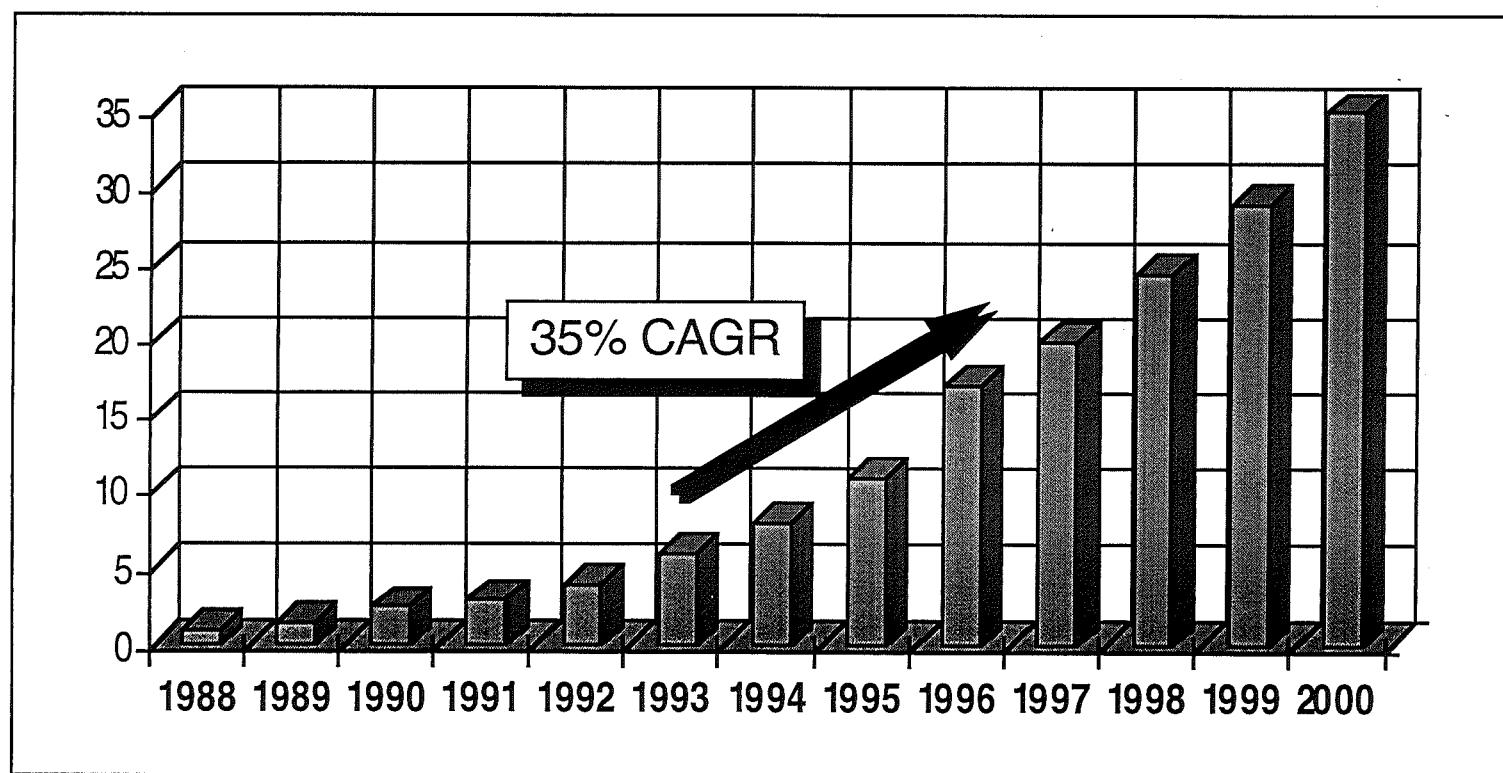
*Significant Growth Lies Ahead*



7% with Online Services

CAGR of:	Online Services	Home Video	Daily Newspapers	Magazines	Video Games	Home Shopping
1985-94	29%	16%	3%	5%	14%	50%

# Consumer Online Service Subscribers Growth



Source: Montgomery Securities

# The Interactive Multimedia Opportunity

- 14 million+ CD-ROM drives in the US
- Installed base growing over 50% per year
- 5000+ commercial CD-ROM titles and growing
- 8% of US homes have multimedia PC
- Increased consumer interest in electronic access

# **CD-ROM vs. Online**

<b>Characteristic</b>	<b>CD-ROM</b>	<b>Online</b>
<b>Multimedia Access</b>	<b>Real-Time</b>	<b>Downloaded</b>
<b>Database Type</b>	<b>Multimedia</b>	<b>Text</b>
<b>Search &amp; Retrieval</b>	<b>Faster</b>	<b>Slower</b>
<b>Content Updates</b>	<b>No</b>	<b>Yes</b>
<b>Remote Data</b>	<b>No</b>	<b>Yes</b>
<b>E-Mail &amp; Chat</b>	<b>No</b>	<b>Yes</b>
<b>Transactions</b>	<b>Mail, Phone or Fax</b>	<b>Automatic via Modem</b>

# **CD-ROM with an Online Interface**

<b>Characteristic</b>	<b>Integrated CD-ROM to Online</b>
<b>Multimedia Access</b>	<b>Real-Time Multimedia</b>
<b>Database Type</b>	<b>Multiple Data Types</b>
<b>Search &amp; Retrieval</b>	<b>Fast Database Access</b>
<b>Content Updates</b>	<b>Timely, Current Updates</b>
<b>Remote Data</b>	<b>Access to Remote Data</b>
<b>E-Mail &amp; Chat</b>	<b>Personal Communications</b>
<b>Transactions</b>	<b>Transaction Options</b>

# **Characteristics of Traditional vs. New Media, and What it Means**

## **Traditional Media**

- One-way communications
- Static/one-dimensional
- Broadcast
- Unaccountable
- Mass
- Feels good
- Hit-and-run messaging
- Nearing end of life cycle

## **New Media**

- Two-way communications
- Interactive/multimedia
- Targeted/narrowcast
- Accountable
- Personal/granular
- Focuses on a transaction
- Builds ongoing relationship
- Is alive and well

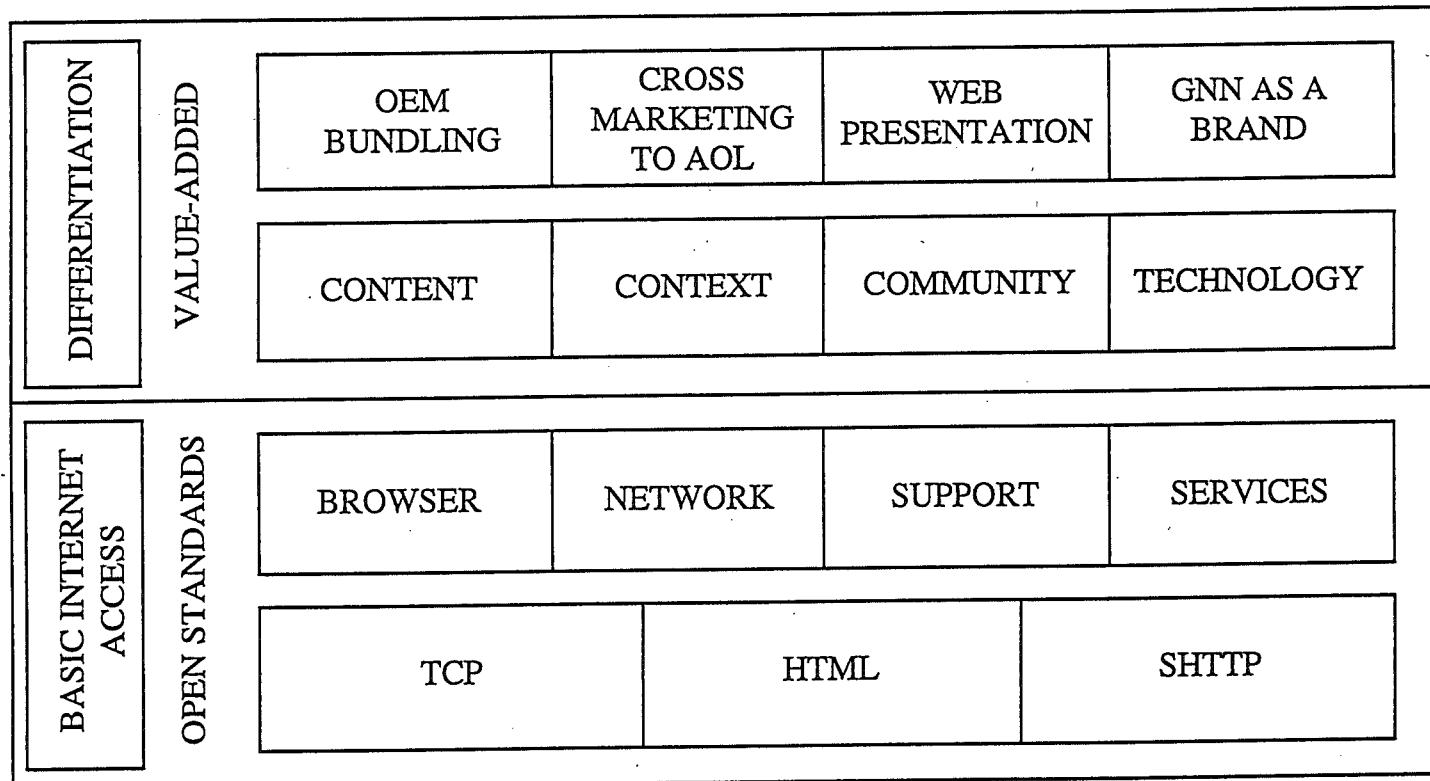
# **What Interactive Consumers Want on the Net**

- No surcharges / no premium pricing
- More personalization
- More depth of content
- Cooler Stuff
- New areas of niche content
- More graphics
- Faster access to services
- and multimedia
- Fresher information
- Better communications tools and directories
- More experts and celebrities online
- Shopping / transaction services
- Quality services (billing, support)
- Information / not promotion or advertising
- Privacy

# The New Technology Consumer

- Mostly male; increase in female members predicted in next two years
- Desirable demographics: 24-46 years old; 2 wage earner households
- 75K+ household incomes
- Early adapters moving toward mainstream consumer
- Likes to get things done fast
- Wants to time shift / exhibits on-demand tendencies
- Active (fingertips) vs. passive (eyeballs) consumer
- Uses a computer at work and at home / 3.2 hours a day
- Short attention span
- Will read, but wants multimedia
- High expectations of the medium
- Wants to belong to a community
- Wants privacy

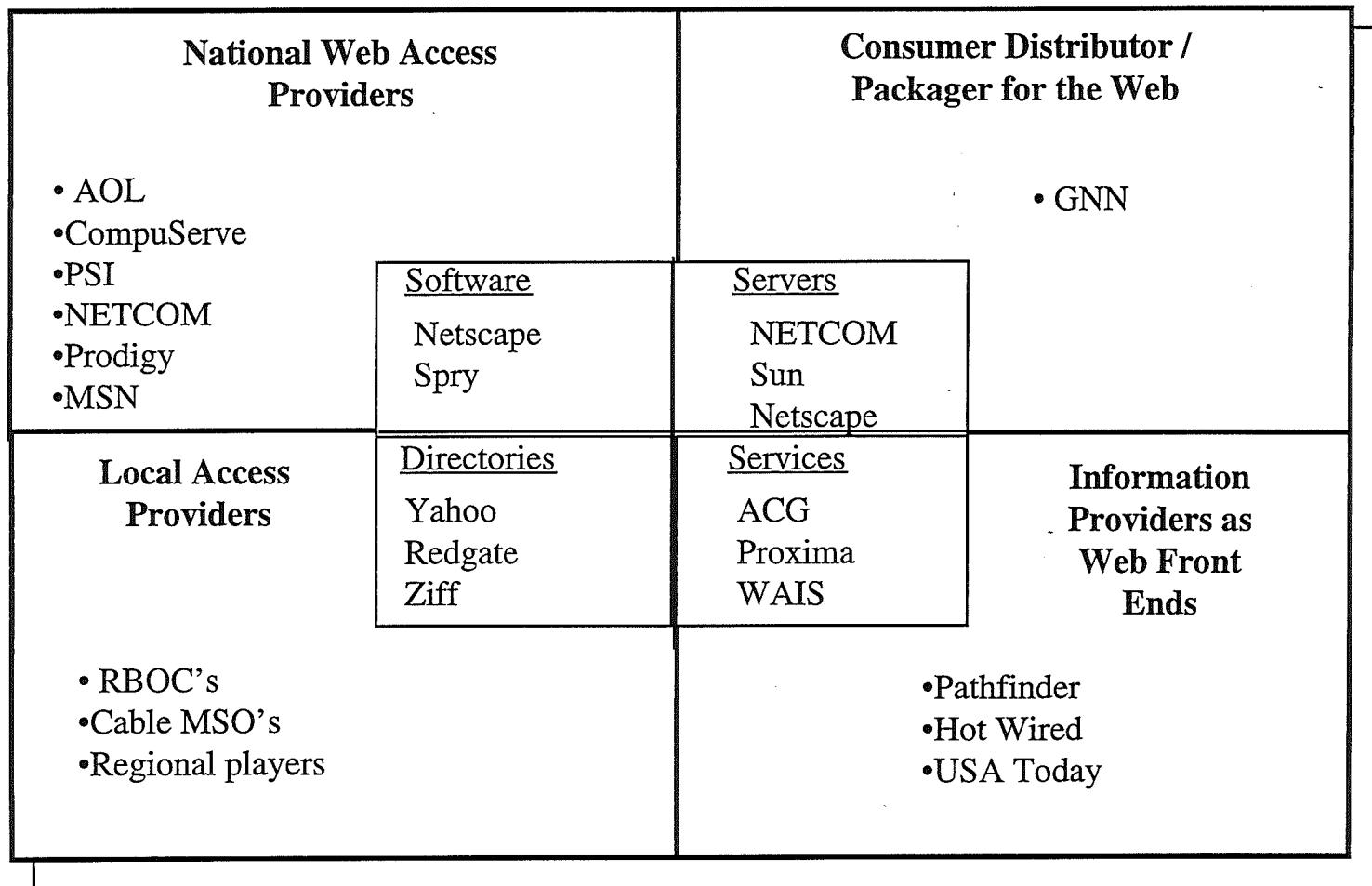
# THE INTERNET OPPORTUNITY — RAISING THE BAR



# Introducing the GNN Brand

- Best of breed Internet consumer service
- Integrates the following capabilities / services of America Online under the Global Network Navigator banner:
  - AOLnet foot print of high speed pops
  - Booklink Web Browser and related software
  - Navisoft personal publishing tools
  - Directory services created by Redgate
  - GNN editorial front end and Web navigation
  - AOL Internet technical services infrastructure
- A La Carte pricing and integrated digital marketing programs
- To be introduced in October of 1995

# GNN Positioning



# Compare and Contrast...

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## America Online

- It's about consumers...
- It's about consumers...
- It's about lower bandwidths..
- It's about one price billed to consumer...
- It's about programming...
- It's about non-intrusive marketing and New Media life forms
- It's about community...
- It's about prime time...

## The Web

- It's about enterprises...
  - It's about IP's...
  - It's about corporate high speed networks...
  - It's about pay per view ala carte pricing...
  - It's about "hunter gatherers"...
  - It's about advertising...
- It's about going "place to place"...
- It's about day time...

# Compare and Contrast...

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## America Online

- It's more and more about families and women...
- It's about packaging...
- It's about unification/simplification...
- It's about community more than content...
- It's about open, but organized...
- It's about the next mass market...

## The Web

- It's mostly about men...
- It's about Netscape "Roll Your Own"...
- It's about Netscape disintermediation...
- It's about HTML documents...
- It's about open, but chaotic...
- It's about niches, and vertical markets

# Compare and Contrast...

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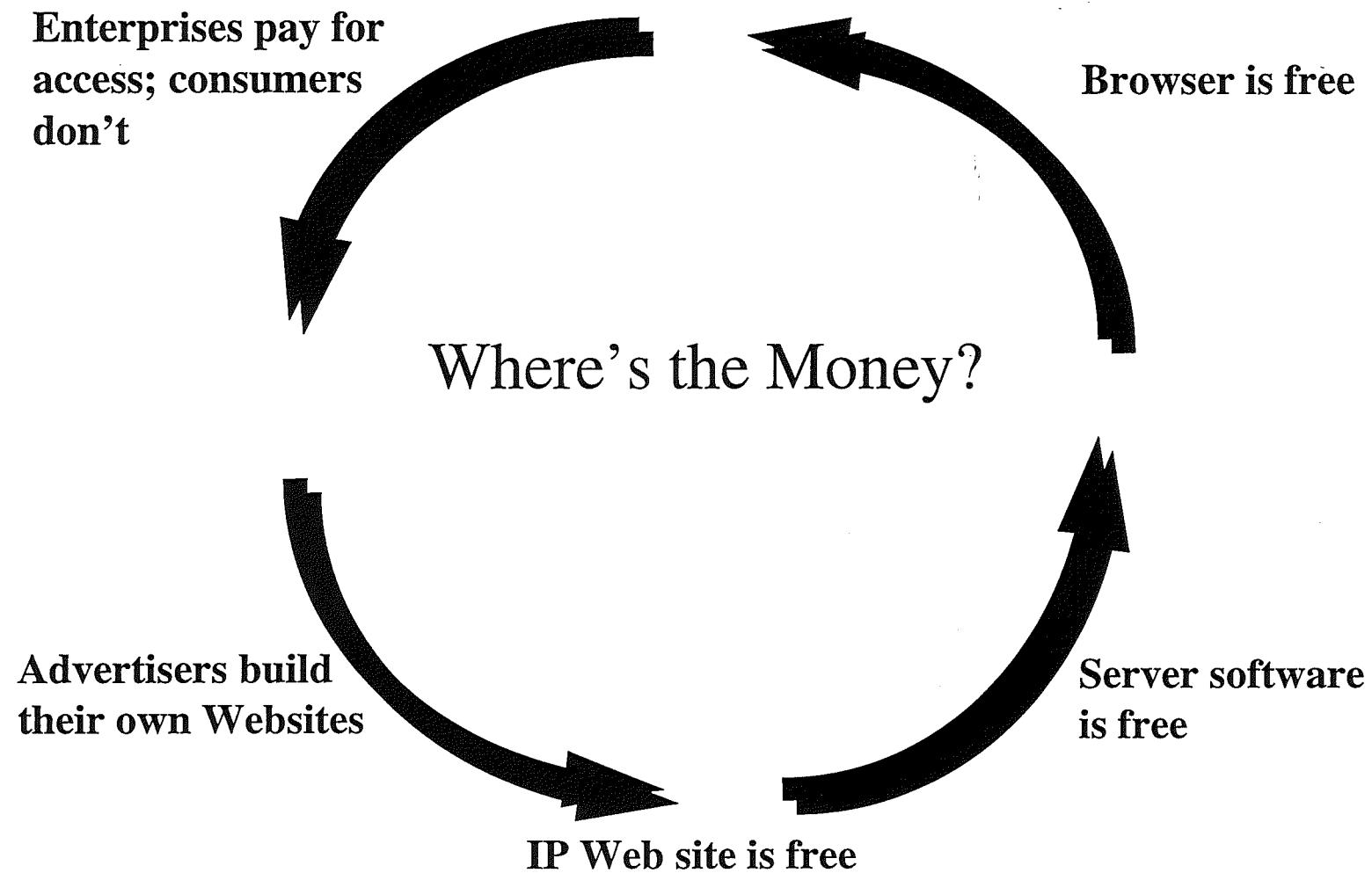
## America Online

- It's about creating a new mass medium...
- It's here now
- It's about kicking Microsoft's butt

## The Web

- It's about enabling individuals to communicate
- It's here now
- It's about kicking Microsoft's butt

# The Present Day Web Business Model



# So Where's the Money to be Made?

## Invest In...

- New Media programmers
- Transaction based companies
- Security based companies
- Service providers to IP's
- Server technology companies
- Vertical market network providers

## Run Away From...

- Access providers
- Browser software companies
- Local service on ramps
- Consumer based network suppliers starting from scratch